



Excise Tax Advisory

Excise Tax Advisories (ETAs) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

Number: 2002.16.179 (6th Revision)

Issue Date: June 29, 2004

Low-density light and power utility deduction

RCW 82.16.053 provides a public utility tax deduction for light and power businesses having seventeen or fewer customers per mile of distribution power lines. It applies only to those light and power businesses with retail power rates that exceed the state average power rate.

The allowable deduction is equal to the lesser of the result obtained from two calculations and is limited to \$400,000 a month. The first calculation is based on wholesale power costs paid by the utility, and the second calculation is based on the percentage by which the average retail electric power rates for the light and power business exceed the statewide average electric power rate. The required calculations under the two methods are as follows.

The first calculation:

- a) Calculate fifty percent of the wholesale power cost paid during the reporting period, if the business has fewer than five and one-half customers per mile of line; or
- b) Calculate forty percent of the wholesale power cost paid during the reporting period, if the business has more than five and one-half but less than eleven customers per mile of line; or
- c) Calculate thirty percent of the wholesale power cost paid during the reporting period, if the business had more than eleven but less than seventeen customers per mile of line.

The second calculation:

- d) Calculate the percentage by which the average retail electric power rate for the light and power business exceeds the state average electric power rate. Multiply this percentage by the wholesale power cost to the business. If more than fifty percent of the kilowatt-hours are sold to irrigators, then only sales to nonirrigators are to be used to calculate the average electric power rate.

If the utility business has more than seventeen customers per mile of line, no deduction may be taken. If the utility business has seventeen or fewer customers per mile of line, the deduction will be the lesser of the amounts calculated under method one and method two, but not to exceed \$400,000 in any month.

Advisories numbered as 2 plus three digits (e.g. 2002.16.179) are advisories issued on or after July 2, 1998.

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The state average electric power rate to be used in the second calculation is as follows:

<u>Period</u>	<u>Rate per KWH</u>
7/1/98-6/30/99	4.10 cents
7/1/99-6/30/00	4.04 cents
7/1/00-6/30/01	4.03 cents
7/1/01-6/30/02	4.06 cents
7/1/02-6/30/03	4.40 cents
7/1/03-6/30/04	5.25 cents
7/1/04-6/30/05	5.73 cents

The law requires the Department of Revenue to determine the state average electric power rate each year based on the most recent available data and to make this rate available to these businesses. The Department will revise this bulletin annually and the rate will be applied on a fiscal year ending on June 30. The rate is based on the most recent data for the previous calendar year obtained from the Federal Energy Information Administration, Office of Coal, Nuclear, Electric and Alternate Fuels, U.S. Department of Energy.